

## ***U.S.-CAFTA-DR Free Trade Agreement*** **Hawaii Farmers Will Benefit.**

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Exports of farm products help boost Hawaii's farm prices and income. Such exports help support about 1,254 jobs both on and off the farm in food processing, storage, and transportation. In 2003, Hawaii's farm cash receipts were \$549 million, and agricultural exports were estimated at \$82 million, putting its reliance on agricultural exports at 15 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Hawaii's exports of agricultural products.

### **Hawaii Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)**

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including Hawaii's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

**Fruits, Nuts and Preparations.** Providing the top source of state agricultural exports, valued at over \$35 million, Hawaii fruit producers benefit from the FTA.

- U.S. exports of pineapples and macadamia nuts currently face duties of 15 percent, and the WTO permits duties as high as 60 percent.
- Providing the top source of farm cash receipts (nearly \$103 million), Hawaii pineapple producers benefit from the immediate elimination of duties by Honduras, and the phase-out of duties within 5 years by Guatemala and Honduras. Costa Rica will phase-out duties on pineapples within 10 years, and Nicaragua within 12 years.
- Providing over \$32 million in farm cash receipts, Hawaii macadamia nut producers benefit from immediate elimination of duties by the Dominican Republic, El Salvador, Honduras and Nicaragua. Costa Rica and Guatemala will phase-out duties within 15 years.

**Sugar.** The 0.037 percent of Hawaiian farms engaged in sugar production will face no cuts in the over 100 percent out-of-quota duty on U.S. sugar that currently protects domestic producers.

- The United States will establish TRQs for CAFTA-DR countries, starting at 107,000 metric tons. In the first year of implementation, increased market access in sugar will amount to about 1.2 percent of annual U.S. sugar consumption. This amount grows very slowly by 2 percent a year into perpetuity, so that by year 15 of FTA implementation the increased access on sugar (about 151,000 metric tons) amounts to about 1.7 percent of consumption. The United States will also establish a quota for specialty sugar goods of Costa Rica in the amount of 2,000 metric tons annually.

- Provisions will ensure only net surplus exporting countries in the region have access to the new access, and provisions have been agreed to allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- *The Sweetener Users Association, the National Confectioners Association, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

**Dairy.** Providing the 6<sup>th</sup> largest source of farm cash receipts (nearly \$22 million), Hawaii dairy producers benefit from the FTA.

- U.S. dairy exporters currently face duties as high as 60 percent, and the WTO permits duties as high as 100 percent.
- Each country will establish duty-free TRQs for certain dairy products totaling over 10,000 metric tons across the six countries – and each will receive the same level of TRQ access for dairy products entering the United States.
- TRQs will grow by 5 percent per year for the Central American countries and 10 percent per year for the Dominican Republic, with certain dairy products subject to safeguards during the phase-out period.
- All Central American and Dominican duties will be eliminated within 20 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Sugar Production in Hawaii - Map